Post-event regulatory review of the operation and management of the electricity system during the June heat event

Terms of reference

Introduction

The week commencing 22 June 2026 saw a prolonged period of higher-than-average seasonable temperatures with red weather warnings in place across both Great Britain (GB) and Europe. This impacted the operation of both the markets and electricity systems in GB and across Europe such that a range of operating tools were required to secure the system. In GB, this saw NESO issue an Emergency Instruction and request Emergency Assistance on an Electricity Interconnector to the Netherlands and France respectively on 23 June 2026, and also issue Electricity Margin Notices for the days of both 24 and 26 June 2026.

On 17 July 2026 Ofgem commissioned the independent National Energy System Operator (NESO) to review the notable events of the week commencing 22 June 2026. This includes the System Event that occurred on the 23 June 2026 and the Electricity Margin Notices on 24 and 26 June 2026. Ofgem have asked NESO to:

1. Establish the circumstances that led to the system event on the 23 June 2026 and the EMNs that were issued on the 24 and 26 of June. Including market conditions, system performance and market participant behaviour.
2. Review the actions taken by the control room, including what decisions were made and why.
3. Review and identify if there were any breaches to any of the applicable rules and regulations. Including but not limited to: Grid Code, SQSS, SOGL and FRCR.
4. Review the availability and sufficiency of control room records to determine all of the above.
5. Identify any potential learnings from these events.
6. Share the findings with Ofgem, DESNZ, other government bodies as applicable.

Under condition C7.5 of the Electricity System Operator Licence ("the Licence"), NESO must, when requested by the Secretary of State or Ofgem, provide post-event analysis and assessment in relation to an event that has, or could have, detrimentally impacted consumers, NESO, or any other licensee.

For avoidance of doubt, we expect that no records relating to these matters are altered, deleted, overwritten or otherwise disposed of while the review is ongoing. For clarity, this extends to:

- Emails and attachments.
- Microsoft Teams chats, meeting records and files.
- SharePoint sites and live working documents, including version histories.
- Mobile phone records and messages where used for operational discussions.
- Call logs and recordings.
- Operational logs, incident records and control room documentation.
- Risk registers, internal reports and review material.
- Any other electronic or physical records relevant to the matters.

Scope of the review

The review will not cover the operation of European electricity systems.

NESO will fully consider, assess and report on:

A. Drivers of System stresses which should include:

1. An assessment of the prevailing weather conditions for the full week broken down by at minimum a daily granularity.
2. NESO energy forecasting, particularly Demand, Wind, Solar, System Margin and Generation (included embedded generation forecasting), including a comparison of the error of these forecasts in key periods against average error both generally and for similar conditions. Whether the impact of extreme heat was captured in the formation of these forecasts.
3. The potential impact of NESO published forecasting (including an assessment of timeliness and accuracy) on Market activity.
4. An assessment of planned network and generation outages and of any unplanned network and generation outages, and whether these outages influenced events.

5. How NESO's recent Summer Readiness and Preparedness reports fed into NESO planning and operational assumptions. For example, generator performance reduction was identified as a risk during periods of high heat; and the accuracy of Summer Outlook predictions.
6. The status of the European energy system.
7. The scheduling and power flows across the interconnectors (including NESO forecasts of interconnector movements). Document the size and speed of actual (and what would have happened in the market without trades) interconnector flow changes.
8. The price differentials between GB and Europe and how these impacted interconnector volatility.
9. Generation availability (including weather impact and the alignment of physical availability with commercial availability.)
10. Review of data from REMIT and the in day availability of generation.
11. Market pricing and the market response to margins and prices.
12. System Margin evolution over time (including when the extent of the operational problem became apparent, the timeliness of key operational indicators and whether these provided sufficient warning of deteriorating system conditions).
13. The relative importance of these factors and identification of any other key drivers of system stress during this period not identified by the above.

<u>B. Actions taken by NESO and the market</u>

14. The NESO System Operation Plans from the day ahead to real-time showing the effective timeline, NESO operational awareness and preparedness for real time system operation.
15. The options available and actions taken by NESO during the periods of system stress, including the basis for decision taken. To be broken down into BAU balancing actions, enhanced actions and emergency actions.
16. What was GB Status on the European awareness system. What discussions took place with European TSOs regarding interconnector trades.
17. Assess the timings of any actions taken, emergency or otherwise and provide explanations for any notable delays or alterations.
18. The use and effectiveness of Market notices and whether additional market notices/system warning should have been used.
19. Ancillary services, both use of and delivery performance, including how much remained available during the incident.

20. The use of energy trading and management of interconnector flows including the use of counter trading, intraday trading limits (ITLs) and Net Transfer Capacity (NTCs).
21. Operation of the transmission system including the assessment of its resilience potential faults/N-1 compliance.
22. Record keeping including its sufficiency to understand what decisions were made and why.
23. Communications - within NESO, to other network operators, the regulator, UK Government and with industry.

C. The precise security status of the system against relevant security standards

24. The system status against all relevant security standards during these periods, including but not limited to: the Grid Code, SQSS, SOGL, FRCR. If not meeting any relevant standard, when was this identified and was it reported.
25. Whether any constraint limits were breached. If not when was this identified and was it reported.
26. The consequences for system operation of operating outside of normal operational limits for the durations observed.
27. Whether the post-fault actions identified through NESO's post-event review would have been realistically achievable in real time, given operational pressures, decision-making timescales and information available to control room staff at the time.

D. Wider system operation lessons to be learned, both now and in the future

28. If any similar periods historically should have prompted action that would have helped in these circumstances.
29. Any lessons that have been learned from these events.
30. Any recommendations for changes that should be made by NESO or other bodies.

Key Deliverables & Timeline

1. NESO will provide a factual preliminary report (ie, data gathering and analysis without conclusions) to the Oversight Group by mid-August, with the exact date confirmed with the Oversight Group in advance.
2. Following submission of the preliminary report, Ofgem will review the findings and determine whether any additional work or lines of enquiry should be incorporated into the Terms of Reference. On completion of that review, Ofgem will determine a timetable for delivery of the final report.

3. The final report will be submitted to the Oversight Group in accordance with the timetable agreed following consideration of the preliminary report and any subsequent revisions to the Terms of Reference.
4. Following submission to the Oversight Group, the final report will be published in due course. Publication will be subject only to limited redactions required to protect the anonymity of individual staff members, commercially sensitive information, matters of national security, or other legitimate confidentiality considerations.

Oversight and governance

- Governance arrangements should ensure Ofgem oversight throughout the review. Ofgem will establish and Chair an Oversight Group to oversee the Review. Ofgem will determine the membership, which may include DESNZ representatives. The Chair will have final say on the group membership. The group must be free from direct conflict of interest.
- NESO must engage with and provide regular updates to the Oversight Group. Unless further directed by the Chair, NESO will report progress and key findings fortnightly, with the first update being required by 24 July 2026. NESO will present and discuss both its preliminary and final findings of the review to the Oversight Group to support full and thorough understanding.
- Following the completion of the preliminary report, there will be sufficient time for Ofgem to consider the findings and ask further questions. Based on the preliminary findings, Ofgem may add additional questions to the terms of reference and request specific further information to be considered in the final report. Ofgem may choose to interview relevant NESO staff following the completion of the preliminary report. This will be done through an anonymous route that ensures control room operatives are given a safe space to provide information and opinions without fear of retribution.
- Upon receiving the final report, Ofgem will consider and determine whether or not NESO complied with all regulations and what lessons can be learnt for the future. Should the review identify issues warranting further regulatory scrutiny, Ofgem will consider what additional action is required and will utilise the full range of its regulatory powers where appropriate.
- The Review will be led by NESO’s Director for Whole System Resilience, who will bring together an appropriate, suitably expert Review team to conduct the work. The Review will report directly to the NESO Board’s Operations and Resilience Committee, (whose chair and members are all Non-Executive Directors), who will

be responsible for providing quality assurance and clearance for all outputs. All work related to the review will be ringfenced from NESO colleagues outside of the Review team, including other members of the NESO Executive, except as required to provide evidence to the Review. Any conflicts of interest within the Review team must be declared to the Oversight Group which must agree that mitigations are sufficient to enable their role.